Albuquerque Bernalillo County
Water Utility Authority

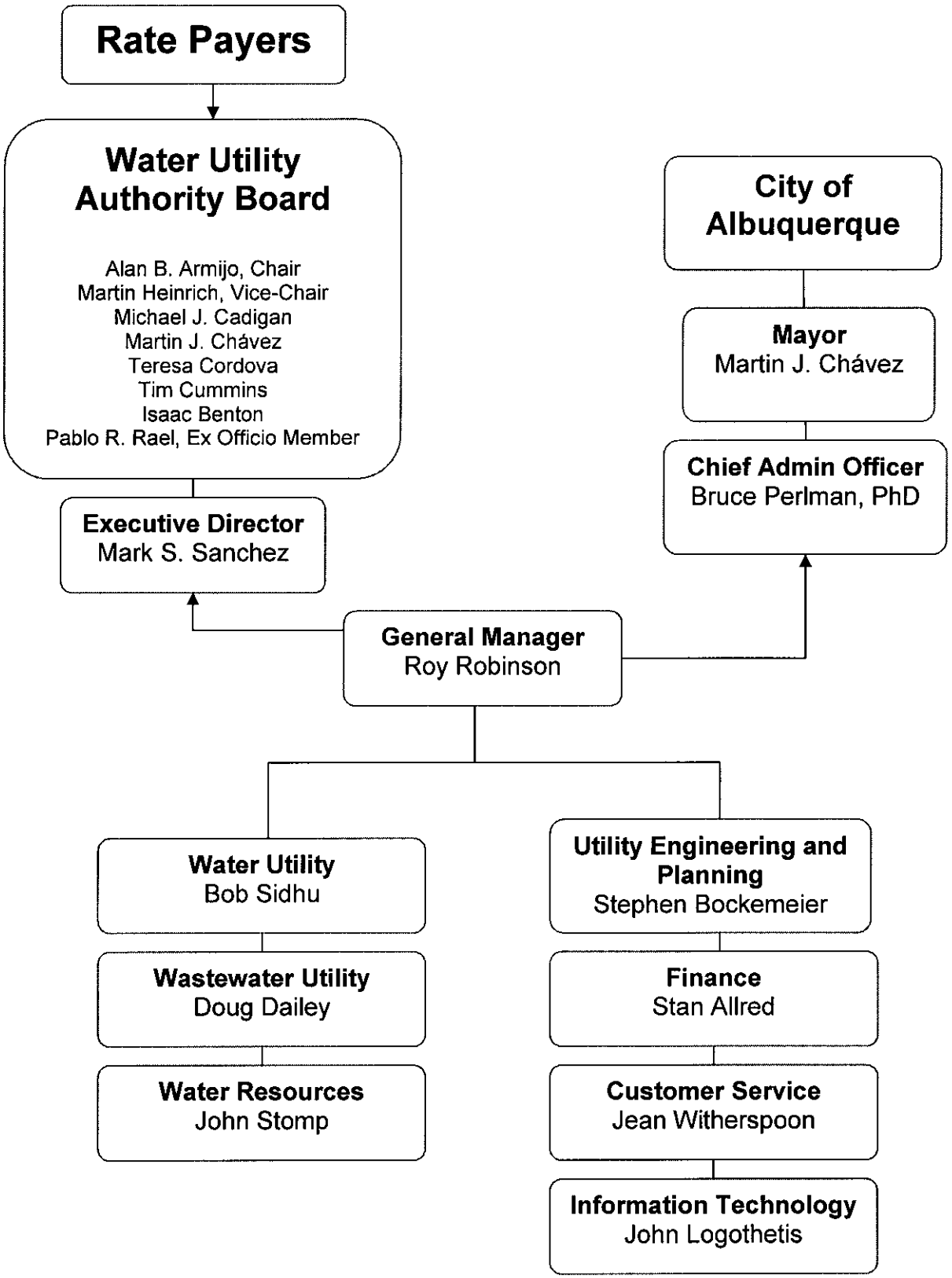
ANNUAL INFORMATION STATEMENT

DATED JANUARY 20, 2006

IN CONNECTION WITH WATER/SEWER BONDS AND OTHER OBLIGATIONS

[Amended To Include Fiscal Year 2005 Audited Financial Information]

Albuquerque Bernalillo County Water Utility Authority
Organization Chart



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INTRODUCTION

The Authority governs the water and wastewater utility for all of Albuquerque and Bernalillo County. The Authority's membership includes three Bernalillo County Commissioners, three Albuquerque Councilors, the Mayor of Albuquerque and a Village of Los Ranchos Trustee as an Ex Officio member. The current members of the governing board are as follows: Commissioner Alan B. Armijo, Chair; Councilor Martin Heinrich, Vice-Chair; Mayor Martin Chavez; Councilor Michael Cadigan; Commissioner Teresa Cordova; Councilor Isaac Benton (former Councilor Tina Cummins served through December 31, 2005); Commissioner Tim Cummins; and Trustee Pablo Rael, Ex Officio. The Executive Director of the Authority is Mark S. Sanchez. The Authority is focused regionally on conservation, elimination of septic tanks and provision of potable water to the developed areas of the City and Bernalillo County. It is also striving to make improvements to the existing distribution system to avoid water losses, to bring the surface drinking water project online to avoid the depletion of the aquifer, and to comply with Indian Pueblo arsenic standards, which are more stringent than federal arsenic standards. In addition, it is working towards realizing better management efficiencies for rate payers and providing long range planning and delivery for water and wastewater in the service area.

The joint water and sewer system (the "System") was owned by the City of Albuquerque, New Mexico (the "City") and operated by its Public Works Department prior to creation of the Authority. Revenue bond obligations relating to the System issued by the City prior to the transfer of the System to the Authority continue to be outstanding and are now the obligation of the Authority. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Authority and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the System would be transferred to the Authority. The legislation also provides that the obligations of the City payable from net revenues of the System shall be obligations of the Authority and that the Authority shall not impair the rights of holders of outstanding obligations of the System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Authority. The audit was completed in December 2003. The City has transferred functions, appropriations, money, records, equipment and other real and personal property pertaining to the System to the Authority and the policy-making functions of the System have been transferred to the Authority. The Authority and the City entered into a Memorandum of Understanding dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the System. In 2005, the New Mexico Legislature amended Section 7-1-10, NMSA 1978, to provide the Authority the statutory powers provided to all public water and wastewater utilities in the state and to recognize the Authority as a political subdivision of the state. Financial and operating information of the System for years prior to Fiscal Year 2004 may be found in the Annual Information Statement of the City dated January 23, 2004 on file with each Nationally Recognized Municipal Securities Information Repository.

FISCAL YEAR 2005 FINANCIAL INFORMATION

The Fiscal Year 2005 financial statements of the Authority have been audited by Neff & Ricci LLP, independent certified public accountants. On January 20, 2006, the date the Authority filed its Annual Information Statement with Disclosure USA, the New Mexico State Auditor had not released the Authority's Fiscal Year 2005 financial statements. The audited financial statements have now been released and the 2005 financial information in the Annual Information Statement is audited. The Authority filed the audited financial statements with Disclosure USA on March 2, 2006.

OUTSTANDING OBLIGATIONS

Outstanding System Obligations

The following special limited obligations secured on a parity basis by net revenues of the System are outstanding. These obligations are generally described below and certain terms of such obligations are summarized in the Authority's Annual Financial Report for the year ended June 30, 2005 which is attached hereto as Appendix A.

Outstanding Water/Sewer Parity Obligations as of December 1, 2005[1]

Water/Sewer System Issue	Principal Amount of Original Issue	Outstanding Principal Amount
Revenue Bonds Series 1990A[2]	$ 50,821,710	$ 21,953,725
Revenue Bonds, Series 1995	38,940,000	9,670,000
Revenue Bonds, Series 1997	46,715,000	21,250,000
Refunding and Improvement Revenue Bonds, Series 1999A	93,030,000	61,115,000
Refunding Revenue Bonds, Series 2000A	26,375,000	4,960,000
Revenue Bonds, Series 2001	30,000,000	27,005,000
NMFA – Public Project Revolving Fund Loan (2002)	450,000	356,498
NMFA Drinking Water State Revolving Fund Loan (2002)	2,450,000	1,924,734
NMFA Drinking Water State Revolving Fund Loan (2003)	3,600,000	3,057,942
NMFA – Public Project Revolving Fund Loan (2004)	118,415,000	115,415,000
NMFA –Public Project Revolving Fund Loan (2005)	20,000,000	20,000,000
Revenue Bonds, Series 2005	132,985,000	132,985,000
Total Water/Sewer System Parity Obligations		$419,692,899

(1) Certain of these bonds are also subject to mandatory sinking fund and optional redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.

(2) These bonds were issued as capital appreciation bonds and the amount shown as outstanding is the accreted value as of December 1, 2005.

Other obligations payable on a subordinate basis from net revenues of the System are shown below.

Outstanding Water/Sewer Subordinate Obligations
as of December 1, 2005

Obligation	Principal Amount Of Original Issue	Outstanding Principal Amount
Wastewater Loans from the State Environment Department:		
November 1989 Loan	$ 7,907,582	$ 3,986,666
November 1991 Loan	2,521,846	774,841
November 1992 Loan	9,000,000	2,765,264
August 1995 Line of Credit	15,000,000	9,529,026
June 2002 Loan	9,627,877	9,627,877
Total Wastewater Loans		$26,683,674[1]
Other Obligations:		
SAD Bonds[2]	$ 2,505,000	$ 360,000
Total Other Obligations		$ 360,000

(1) Excludes a $12,000,000 drinking water loan with the New Mexico Finance Authority which the Authority's governing body has authorized but has not yet closed. The drinking water loan has not closed pending required environmental review.

(2) The SAD bonds listed here are secured by a supplemental pledge of surplus System revenues and are not System Obligations.

Combined Debt Service and Coverage Ratios

The following schedule shows, for each calendar year, the total combined debt service requirements payable for the outstanding System obligations.

Total Combined Debt Service
Outstanding Water/Sewer Obligations[1]
December 1, 2005

Year End July 1	Senior Current Debt Service	Subordinate Current Debt Service	Pledged Revenues[2]	Senior Coverage	Subordinate Coverage
2006	$51,609,465	$4,031,853	$85,069,200	1.65x	1.53x
2007	52,119,248	4,054,312	85,069,200	1.63	1.51
2008	48,468,281	4,077,894	85,069,200	1.76	1.62
2009	44,014,131	2,802,698	85,069,200	1.93	1.82
2010	36,948,506	2,802,698	85,069,200	2.30	2.14
2011	36,972,159	2,802,698	85,069,200	2.30	2.14
2012	30,240,363	2,802,698	85,069,200	2.81	2.57
2013	30,327,155	1,215,071	85,069,200	2.81	2.70
2014	28,529,165	647,145	85,069,200	2.98	2.92
2015	28,008,179	647,145	85,069,200	3.04	2.97
2016	27,583,559	647,145	85,069,200	3.08	3.01
2017	23,746,272	647,145	85,069,200	3.58	3.49
2018	20,620,820	647,145	85,069,200	4.13	4.00
2019	20,382,095	647,145	85,069,200	4.17	4.05
2020	20,120,605	647,145	85,069,200	4.23	4.10
2021	19,768,601	647,145	85,069,200	4.30	4.17
2022	19,691,655	647,145	85,069,200	4.32	4.18
2023	15,473,695	647,145	85,069,200	5.50	5.28
2024	14,607,294	647,145	85,069,200	5.82	5.58
2025	11,229,490	647,145	85,069,200	7.58	7.16
Total	$580,460,458	$32,355,656			

(1) The rate covenant described below relates to all System obligations, including the five Wastewater Loans listed in the previous table which are payable on a subordinate basis to the Parity Obligations shown in this table. The Authority is presently obligated to pay aggregate average annual debt service on the Wastewater Loans equal to $2,924,684, and the maximum calendar year debt service on such Wastewater Loans is $4,077,894 (occurring in 2008).

(2) Fiscal Year 2005 results.

In the ordinances pursuant to which the System obligations have been issued, the Authority, as successor to the City, agreed to charge all purchasers of services reasonable rates sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all System obligations (excluding reserves therefor). The net revenues of the System for Fiscal Year 2005 were $85,069,200. The maximum calendar year combined debt service requirements for parity obligations payable from net revenues of the System are estimated to be $48,468,722 (occurring in year end July 1, 2006). The coverage ratio of 2005 System net revenues ($85,069,200) to the maximum calendar year combined debt service requirements of parity obligations and the Wastewater Loans and SAD Bonds ($52,571,211), occurring in year end July 1, 2008) would be 1.62x. The Fiscal Year 2005 ratio of net revenues ($85,069,200) to actual Fiscal Year 2005 debt service (including subordinate debt) ($52,278,658) is equal to 1.68x.

Current Ratings of the System Parity Obligations

The outstanding System parity obligations are currently rated "Aa3" by Moody's, "AA" by S&P and "AA" by Fitch. In addition, the outstanding System bonds are credit enhanced and therefore have a higher rating which is based on the rating of the credit enhancer rather than the rating of the Authority for such bonds.

JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY

Water System

The Water System provides water services to approximately 518,623 residents comprising approximately 88% of the residents of Bernalillo County, New Mexico (the "County"). About one-third of unincorporated County residents are customers of the Water System. Service is provided to approximately 164,200 accounts, including 149,000 residential and 15,200 commercial, institutional and industrial accounts, as of the end of Fiscal Year 2005. Approximately 59% of the water sales are for residential uses.

Ground water from the middle Rio Grande basin aquifer is presently the service area's primary source of supply used for the Water System. The supply is produced from 93 wells grouped in 25 well fields located throughout the metropolitan area. Total well production capacity is approximately 294 million gallons per day ("MGD"). Maximum historical peak day demand is 214 MGD. A chlorination/fluoridation station associated with each well field satisfies the total required water treatment needs for the water produced in each well field.

Ground storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 psi for consumers. Forty-five reservoirs are located throughout the service area, with a total reservoir storage capacity of 211 million gallons. If demand requires, reservoir water can also be transferred uphill through a pressure zone to the next highest reservoir or in an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 110 boosters, with a total capacity of 680 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by over 2,500 miles of pipelines and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Authority's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the System for control from a central control facility.

Water Supply

Existing Water Resources

The New Mexico Office of the State Engineer granted the 1993 application of the City's Water Utility Department (the "Utility") to appropriate ground water in the Middle Rio Grande Administrative Area on September 4, 2003. This water right permit allows the withdrawal of ground water from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

Years	Annual Diversion Limit (acre-feet)
Thru 2015	132,100
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous ground water permit limited the Authority's pumping to 132,000 acre-feet per year. The new permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications.

The average annual withdrawal for the five years ending in Fiscal Year 2005 was 105,710 acre-feet, with a maximum of 110,908 acre-feet in Fiscal Year 2000. In July 2003, the Utility began diversions of surface water from the San Juan-Chama river under the Non-Potable Surface Water Reuse Project. The total surface water diversions for 2005 were 1,883 acre-feet with an average of 769 acre-feet over the last two years. Therefore, in 2005, the Authority's water resources use consisted of 98% from ground water and 2% from San Juan-Chama surface water.

Additionally, the Authority has the right to use consumptively 72,820 acre-feet of water per year. This figure consists of imported water from a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama project, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other water rights totaling 6,745 acre-feet. By means of its program of water rights acquisition, the Authority continues to increase its holdings each year. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Authority also has approximately 145,000 acre-feet of San Juan-Chama water from prior year deliveries stored in reservoirs located in northern New Mexico.

The Authority believes that water received pursuant to the contract for San Juan-Chama water and the rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a population of more than 900,000 using 150 gallons per capita per day with 50% consumptive use and 50% return flow. Alternatively, these same water resources will support a population of 500,000 using water at the rate of 250 gallons per person per day. The current service population is approximately 490,000, and the current usage is approximately 174 gallons per capita per day, down from an average of 250 gallons per capita per day between 1987 through 1993. The Authority believes this decrease can be attributed to the City's "Water Conservation Program" and the "Ground Water Protection Plan," both initiated in 1994.

Water Supply Plan

Prior to 1997, the water supply plan for the Authority's service area, which was based on technical knowledge of the surface and ground water systems at the time, could be summarized as follows: the City would pump ground water to meet water system demands; ground water pumping would cause additional seepage (induced recharge) from the river; and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama diversion project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the Authority's wastewater return flows are sufficient to offset the annual seepage

from the Rio Grande associated with the Authority's ground water. The limited additional seepage means that the Authority's ground water pumping is depleting the aquifer underlying the Authority's service area. The over-compensating offset of the wastewater return flows means that the surface water resources are not being fully utilized for the Authority's sustainable water supply. Technical work is continuing to provide water resources information needed for long-term management and to develop water supply solutions.

In 1997, the City Council adopted the Water Resource Management Strategy ("WRMS") as the City's water supply plan. The WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The WRMS: (1) calls for the City (or the Authority as successor) to more fully utilize its renewable water resources in order to reduce reliance on ground water to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas and provide a non-potable industrial water supply source; (3) provides for the development of a ground water drought reserve, which was recommended by resource economists in a report commissioned to provide for the Authority's anticipated year 2060 water demands; (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the WRMS (including $10.8 million for costs of site selection and acquisition, $375 million for the drinking water supply project, and $29.4 million for three reclamation and reuse projects) is $416 million. The future annual operating and maintenance costs for the WRMS program are estimated at $14.8 million.

The four specific projects identified in the WRMS are being, or have been, implemented. The Authority received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. A group of environmentalists and farmers filed an appeal of the surface diversion permit in State District Court. The State District Court has issued two rulings in support of the Authority's permit, and will conduct a hearing on summary judgment motions in February 2006.

The Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concludes that the effects of the San Juan Chama Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With the state and federal permitting complete, the site grading for the water treatment plant began in September 2004 and was complete on March 1, 2005 when a Notice to Proceed was issued for construction of the $160 million water treatment plant. At the end of 2005, the water treatment plant is approximately 20% complete. Construction on the diversion, raw water intake and fish passage structure began in September 2004 and is scheduled for completion in April 2006. The construction of the first transmission pipeline segment is complete and connects College and Don Reservoirs on Albuquerque's west side. There are nine transmission pipelines authorized and under construction. There are four transmission pipeline segments remaining to be advertised for bid and one segment of raw water transmission pipeline. The raw water pump station is anticipated to be advertised for bid by in February 2006 pending resolution and acquisition of land from Bernalillo County. Overall construction of the project will take approximately two years with operations beginning in late 2007 or early 2008. Portions

of the project, including the transmission pipelines and the high service pump station, will be operational in early 2007 to provide ground water to the west side as arsenic mitigation.

With respect to the three water reclamation and reuse projects identified in the WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000 and has provided water to the Albuquerque International Balloon Fiesta Park and recreational complex. The North I-25 Non-Potable Surface Water Reuse Project, began initial operations in 2003 and full operations in January 2004. The Authority began diversions of the Authority's San Juan-Chama water for industrial and irrigation use in the Northeast Heights of Albuquerque and has provided more than 175 million gallons of reuse water this year. The Southside Municipal Effluent Polishing and Reuse Project, will utilize treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of Albuquerque. Construction of the Southside Municipal Effluent Polishing and Reuse Project will begin in June 2006 and will be fully operational for irrigation season 2007.

To finance the implementation of the WRMS, the Authority adopted the WRMS recommended financial plan, which calls for seven years of phased incremental increases in water rates sufficient to cover the estimated capital costs and estimated operating expenses necessary to implement the WRMS strategy through the year 2007 ("WRMS Rate Increases"). All seven dedicated incremental WRMS Rate Increases have been approved and implemented.

Silvery Minnow Litigation

The Rio Grande silvery minnow was designated as an endangered species in 1994. A group of environmental organizations filed suit against the United States (Bureau of Reclamation and the Army Corps of Engineers), claiming that the United States had the discretion and authority to release water from Heron Reservoir (the San Juan-Chama reservoir located in northern New Mexico) for the sole purpose of providing habitat for the minnow even though this would result in reduced deliveries of water to the Authority below what was provided for pursuant to the City's contract with the United States. In addition, the environmental groups claimed that the City's contract with the United States provided authorization for the United States to reallocate the Authority's San Juan-Chama water to the minnow.

The United States District Court for the District of New Mexico ruled in April 2001 that the United States must consult with the Fish and Wildlife Service about reducing deliveries of San Juan-Chama water to the Authority in order to provide water for the minnow. In September 2002, the District Court ruled that the United States had the discretion to directly release San Juan-Chama water from Heron Reservoir and further ruled that the United States should reduce deliveries of San Juan-Chama water to the Authority if needed for the minnow.

The City, as the Authority's predecessor, and the State intervened in the litigation and filed with the Federal Tenth Circuit Court of Appeals a Request to Stay the District Court's September 2002 Order. The Court of Appeals granted the Stay and heard argument on January 14, 2003. The Court of Appeals upheld the District Court's ruling in April 2003.

In response to the Court of Appeals ruling, United States Senators Jeff Bingaman and Pete Domenici introduced a rider to the 2004 Energy and Water Appropriations to exempt the use of San Juan-Chama water for endangered species. Congress approved the rider, which the President signed in November 2003. Congress made the exemption permanent in November

2004, with the President's signature in December 2004. Subsequently, the Authority signed a settlement agreement with the environmental plaintiffs in the case, which the United States District Court approved. The lawsuit has been dismissed with prejudice as to any claims related to San Juan-Chama water. The Authority believes the silvery minnow litigation has been resolved.

New Mexico Utilities Litigation

New Mexico Utilities ("NMU"), a for-profit water and sewer carrier, serves approximately 13,000 residents located in northwest Albuquerque. On July 1, 2004, the Authority increased the sewer rates charged to NMU based on a rate study that concluded that NMU (1) was not paying its cost of service for sewer services, and (2) City and County residents were subsidizing the sewer rates paid by NMU. The Authority believed the rate disparity put an unfair burden on some residents in the City and County which could be alleviated through the rate increase. NMU responded with a lawsuit against the Authority seeking restoration of the previous sewer rates, which lawsuit remains pending in New Mexico State District Court.

During the pendency of its lawsuit with the Authority, NMU has refused to pay the higher rate and currently owes an outstanding balance of approximately $900,000 in delinquent fees to the Authority. In response to the delinquency, the Authority filed various counterclaims seeking a court declaration that NMU has illegally withheld the funds. The Authority also withdrew its permission to allow NMU to use certain Authority return flow credits as provided in a separate agreement with the Authority. The Authority earns the return flow credits through the release of treated wastewater into the water system to offset the water withdrawal from existing wells. The Authority previously allowed NMU to use the return flow credits even though the Authority, and the City as its predecessor, had treated the wastewater and returned it to the water system.

New Arsenic Standard Applicable to Water Supply

The United States Environmental Protection Agency ("EPA") promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. The new standard becomes effective in 2006 with the ability to apply for three one-year exemptions. The Authority has been working to reduce the level of arsenic in the drinking water which is now less than 35 parts per billion on a system-wide blended basis. This system-wide arsenic level qualifies the Authority under the EPA's exemption requirements. This effort has increased operating costs due to the need to pump different wells during peak electrical rates. The San Juan-Chama drinking water project is the key component of the Authority's arsenic compliance plan and is expected to be operational in late 2008. Because of diversion limitations, additional treatment or other facilities may be needed to comply with the arsenic standard.

As part of the arsenic compliance plan, the Authority is moving forward on the design and construction of an arsenic treatment demonstration project. The project has been advertised for construction and is expected to begin construction in April 2006. Construction will take approximately one year to complete with operations beginning in summer 2007. The treatment system will be constructed at the College Well No. 1 with the later addition of College Well No. 2 for a total capacity of approximately five million gallons per day.

The Authority submitted an exemption request to the New Mexico Environment Department requesting a three year time extension to comply with the new standard. The Authority anticipates that the exemption will be granted sometime in early 2006 and will extend to the end of 2008 when the San Juan-Chama drinking water project is scheduled to be operational.

Water Conservation Program

In an effort to extend the lifetime of the Authority's water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized calendar years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 gallons per capita per day to achieve the 30% conservation savings goal. At the end of 2005, Authority customers had reduced their per capita use 33% compared with use during the established baseline period. When weather is taken into account, through regression model analysis, comparative water usage was down by 36%.

In 2004, the Authority adopted a new water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014. The Authority established a new citizen Water Resources Advisory Committee to develop a water conservation plan to meet the new goal. The Advisory Committee submitted the new water conservation plan to the Authority in August 2005. The new water conservation plan is currently being implemented and consists, in part, of new rebates and incentives. Additional mandatory measures may also be necessary in the future if the reductions are not being met.

The long-term water conservation strategy elements implemented to date include an extensive public education and marketing effort, financial incentives for replacement of high volume toilets with low volume toilets, financial incentives for replacing existing high water use landscaping with xeriscaping, financial incentives for replacing high water use washing machines with low use models, and free water use audits. Residential audits include retrofits of showerheads, faucet aerators, and toilet displacement devices. Mandatory water waste prohibitions and limited use of high water use plants in landscaping new development have been enacted and are being enforced. New components now underway include recommendation of more aggressive excess use surcharges, reduction of water produced by the Authority but not billed to customers, and developing methods for more accurate evaluation of the conservation program. The Authority has also adopted a large-user ordinance requiring that customers using more than 50,000 gallons per day, including multi-family residential, commercial and industrial customers, develop and implement a conservation plan.

Ground Water Protection Plan

In 1994, the City and County adopted the Albuquerque/Bernalillo County Ground Water Protection Policy and Action Plan. This comprehensive plan is intended to prevent future contamination of the ground water aquifer under the Authority's service area, and to facilitate the identification and clean up of existing contamination. The City and County have executed a Joint Powers Agreement for implementation of the Plan and established a joint City/County Ground Water Protection Advisory Board which has been functioning and guiding implementation for several years.

The Ground Water Protection Advisory Board works with local, state and federal agencies to monitor the progress of eradication of current contamination sites and is continuing to develop policies to prevent future contamination. The current contamination cleanups are primarily in the South Valley and on the Northwest Mesa. The Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the Authority is halfway through a ten year, $120 million program to eradicate septic tanks in the North and South Valleys, and to date has eliminated 8,000 septic tanks.

Water Usage

The Water System serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During the past five Fiscal Years, the Water System has supplied the following to customers within the service area:

Usage[(1)]
2001-2005

Fiscal Year	Gallons Pumped (in 000s)	Gallons Billed (in 000s)	Percentage Billed
2001	36,055,000	32,774,731	90.90
2002	36,004,000	32,050,716	89.02
2003	33,275,540	29,444,060	88.49
2004	34,851,000	31,042,958	89.07
2005	31,526,000	28,594,347	90.70

(1) There is a difference between gallons pumped and gallons billed. Gallons which are pumped but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use.

Source: City of Albuquerque, Albuquerque Bernalillo County Water Utility Authority.

Sewer System

The Sewer System consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant located south of the service area. The treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent chlorination and dechlorination prior to discharge to the Rio Grande River.

Treatment plant capacity is based upon overall 76 MGD hydraulic capacity. However, capacity deficiency at the chlorination/dechlorination, anaerobic digestion and dewatered sludge handling facilities needs to be addressed to bring these facilities to the 76 MGD plant hydraulic capacity. Existing flows at the plant are about 54 MGD. The Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency. In 2004, the Authority's pretreatment program successfully completed the EPA's five year pilot program. The EPA recognized that the Authority's pollution prevention

efforts have been largely responsible for the Authority maintaining compliance with strict standards contained in National Pollution Discharge Elimination System ("NPDES") permits. The Authority's wastewater effluent discharge consistently meets all NPDES permit requirements. The EPA renewed the Authority's NPDES permit in May 2005, which is effective for the next 4 years.

The treatment plant has a 6.6 mega-watt cogeneration facility. This facility supplies 100% of the treatment plant's present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier.

Total beneficial reuse of sludge is accomplished by a combination of land application on 5,000 acres of public-private range land (85% of sludge produced) and production of compost (15% of sludge produced). A 660-acre dedicated land application site is used when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The possible beneficial reuse of the sludge to enhance gas production at the landfill is under study.

The Authority's Wastewater Utility Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing.

Management of the System

The Authority is responsible for policy, system expansion, budget, rate, personnel reorganizations, unbudgeted intra-year positions, negotiation or renegotiation of labor contracts and litigation relating to the System. The present management for the Authority is as follows:

Mark Sanchez, Executive Director, Albuquerque Bernalillo County Water Utility Authority. Mr. Sanchez has been the Executive Director of the Authority since its inception and was formerly the Director of Council Services for the Albuquerque City Council. Mr. Sanchez holds a Masters Degree in Business Administration from New Mexico Highlands University and a Masters Degree in Public Administration from the University of New Mexico. He is a graduate of the Harvard JFK School of Government Program for Senior Executives in State and Local Government. Mr. Sanchez has been very active in public service. He has held executive-level positions in government, private sector and the non-profit sector in the areas of business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez has also served on the Albuquerque Public Schools Board of Education for six years, serving as president for two. He has been very active at the local, state and national levels on intergovernmental issues.

The City Water Utility Department is responsible for the overall day-to-day operations of the System, pursuant to a contract with the Authority. The present management and supervisory staff for the Water Utility Department are as follows:

Roy Robinson, P.E., General Manager, Water Utility Department. Since February 2005, Mr. Robinson has been General Manager of the Water Utility Department, which consists of 6 divisions, nearly 530 personnel, and an annual budget of approximately $115 million. Previously, he held the positions of Manager Water Systems Division, Field Operations Manager, Operations Support Manager, and Plant Operations Manager for the Water Systems Division at various times during the years from September 1989 to January 2005. From October 1984 to September 1989, Mr. Robinson was responsible for the Water Decade Plan (10 years CIP), water distribution modeling, and water and sewer line replacement program. He also was employed by a consulting engineer from 1980 to 1984 with a primary focus in utility master planning and investigative studies.

John M. Stomp, P.E., Manager, Water Resources Division. Mr. Stomp is responsible for the Authority's water resources program. Mr. Stomp has been employed by the City since April 1996. Prior to employment with the Water Utility Department, Mr. Stomp was employed as a Project Manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water issues in Albuquerque and throughout New Mexico for more than 15 years. He also has a Master's Degree in Environmental Engineering from the University of New Mexico.

Steve Bockemeier, P.E., Manager, Utility Engineering and Planning Division. Mr. Bockemeier became Manager of this new Division in January 2005. He has been employed with the City since 1984 and served in a number of capacities: Manager of the Wastewater Engineering Section at the Southside Water Reclamation Plant from 1984 to 1986; Senior Engineer with the Department's Utilities Planning Group from 1986 to 1991; lead coordinator for water and wastewater CIP project programming and financing with the Finance Division from 1991 to 2003 and Associate Director of the Water Utility Department from 2003 to 2005. Prior to coming to the City, Mr. Bockemeier was engaged as an engineering consultant in the private sector, and has over 34 years experience in the water and wastewater engineering field.

Stan Allred, Finance Officer, Water Utility Department. Mr. Allred has held the position of Finance Officer, Water Utility Department since June 2003. He has over 15 years of financial and cost accounting experience. Prior to employment with the Water Utility Department, Mr. Allred was employed as a director with a multi-billion dollar national long term care corporation. Mr. Allred has been involved with corporate financial reporting requirements and rate setting for Medicare and 15 different State Medicaid systems. Mr. Allred has a BBA with a concentration in Accounting from the University of New Mexico.

Doug Dailey, P.E., Manager, Wastewater Utility Division. Mr. Dailey has worked in the City's Water and Wastewater Utilities since 1985 starting as the Control Systems Engineer in the Wastewater Division. He has held progressively more responsible positions with the engineering, information systems, operating and maintenance sections of both the Water and Wastewater Divisions. Prior to working for the City, Mr. Dailey was a Plant Engineer Senior Grade with a major oil company responsible for a 70 MMCFD Natural Gas Processing Facility, and has a B.S. Degree in Chemical Engineering from New Mexico State University.

Bob Sidhu, P.E., Manager, Water Systems Division. Mr. Sidhu has been working with City Water Utility since July 1981. He has held the following positions while working at the City: Water Utility Maintenance Engineer, managing maintenance on wells, pump stations and reservoirs from 1982 to 1985, Project Manager from 1985 to 1987 working on water control system implementation, Project Manger from 1988 to 1996, working on water facility

rehabilitation and new facility construction, Water Utility Plant Operations Manager from 1997 to 2001, and Water Utility Operations Manager from 2001 to 2005, writing all technical specifications, budget preparation, customer issues and plant operations problems and new Water Utility SCADA project implementation. Mr. Sidhu is a Professional Engineer in the State of New Mexico, and holds a Water Level IV Certification in the State.

FINANCIAL INFORMATION

Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service over the past five Fiscal Years.

Water/Sewer System
Historical Financial Information
Fiscal Years 2001-2005
($000)

	2001[1]	2002[1]	2003[1]	2004[2]	2005[3]
Total operating revenues	$108,360	$115,272	$119,515	$133,369	$127,309
Non-operating revenues (expenses):					
Interest	2,656	2,047	1,684	1,635	3,655
Expansion charges	10,909	11,909	14,433	15,112	12,404
Other	3,078	197	4,304	108	706
Gain (loss) on disposition of Property & Equipment	0	0	0	0	0
Total adjusted revenues	125,003	129,425	139,936	150,224	144,074
Total operating expenses (excluding interest expense)	100,286	100,496	103,786	104,478	110,700
Less:					
Payments in lieu of taxes	(4,310)	(4,643)	(4,779)	(5,111)	(769)
Depreciation	(37,070)	(39,355)	(40,844)	(42,877)	(46,409)
Amortization	(1,091)	(1,142)	(849)	(598)	(517)
Total adjusted operating expenses	57,815	55,356	57,314	55,892	59,005
Net revenues available for debt service	$ 67,187	$ 74,069	$ 82,622	$ 94,332	$ 85,069

(1) City of Albuquerque Comprehensive Annual Financial Reports.
(2) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.
(3) Albuquerque Bernalillo County Water Utility Authority.

Balance Sheet

The following table is the historical balance sheet for the System as operated by the City, as predecessor to the Authority, and for the Authority:

	FY Ending June 30				
	2001[1]	2002[1]	2003[1]	2004[2]	2005[3]
Assets					
Current Assets					
Cash and investments	$ 2,427,584	$ 11,376,071	$ 54,025,631	$ 16,361,548	$5,474,412
Cash with fiscal agents held for debt service	-	-	-	37,850,496	38,773,489
Accounts Receivable	16,400,204	17,451,568	9,144,195	11,003,191	10,222,303
Due from other governments	-	-	-	3,155,052	155,929
Notes Receivable	-	-	1,474,098	1,769,553	7,865,414
Total Current Assets	$ 18,827,788	$ 28,827,639	$ 64,643,924	$ 70,139,840	$62,491,547
Non-Current Notes Receivable	$ 0	$ 0	$ 7,286,844	$ 7,154,659	$0
Restricted Assets					
Cash and investments	$ 15,989,208	$ 36,154,248	$ 6,548,929	$ 43,477,632	$114,129,222
Cash with fiscal agents	34,874,298	40,156,598	37,099,152	4,811,537	-
Investment with fiscal agent	-	-	4,984,544	-	-
Due from other governments	-	-	1,468,014	-	-
Accounts Receivable	340,271	513,474	-	-	-
Escrow deposits	16,120,415	142,497	143,842	144,491	145,398
Total Restricted Assets	$ 67,324,192	$ 76,966,817	$ 50,244,481	$ 48,433,660	$114,274,620
Capital Assets					
Net Capital Assets	$637,070,963	$649,729,052	$641,815,275	$659,071,660	$672,472,679
Construction work in progress	27,624,115	27,595,615	42,050,839	74,202,089	179,607,263
Total Capital Assets	$664,695,078	$677,324,667	$683,866,114	$733,273,749	$852,079,942
Deferred Charges					
Capitalized Bond issuance costs	$ 239,593	$ 540,462	$ 577,999	$ 447,967	$1,138,163
Purchased water rights	25,911,729	27,112,946	27,943,094	28,536,580	28,230,879
Total Deferred Charges	$ 26,151,322	$ 27,653,408	$ 28,521,093	$ 28,984,547	$29,369,042
Total Assets	$776,998,380	$810,772,531	$834,562,456	$887,986,455	$1,058,215,151
Liabilities					
Current Liabilities					
Accounts payable	$ 3,135,288	$ 2,353,529	$ 2,985,977	$ 4,141,437	$3,274,499
Line of Credit	-	-	-	8,629,827	9,385,222
Accrued employee compensation	2,139,095	1,776,707	2,842,598	3,072,266	2,693,337
Accrued interest	559,000	545,918	526,918	507,400	729,942
Deposits	207,097	193,695	205,147	214,827	408,519
Current portion of water rights	706,800	3,384,676	768,932	-	-
Total Current Liabilities	$ 6,747,280	$ 8,254,525	$ 7,329,572	$ 16,565,757	$16,491,519
Liabilities from Restricted Assets					
Construction contracts	$ 2,365,674	$ 1,788,606	$ 5,279,951	$ 6,288,277	$15,216,974
Retainage	655,926	294,357	-	-	-
Matured bonds and interest	34,874,298	31,160,000	31,771,552	32,695,000	32,719,473
Accrued vacation and sick leave pay	-	730,530	586,600	-	-
Water rights and loan agreements	-	-	-	1,271,152	816,489
Accrued Interest	-	6,096,370	5,341,600	4,676,698	5,410,448
Line of Credit	-	-	3,484,446	-	-
Other	(13,689)	30,564	-	-	-
Total Liabilities from Restricted Assets	$ 37,882,209	$ 40,100,427	$ 46,464,149	$ 44,931,127	$54,163,384
Long-Term Debt Excluding Current Portion					
Revenue Bonds	$239,536,637	$240,843,254	$211,357,665	$180,493,569	$149,965,322
Water right contracts and loan agreements	48,397,648	45,752,329	48,575,147	44,747,408	156,190,634
Total Long-Term Debt	$287,934,285	$286,595,583	$259,932,812	$225,240,977	$306,155,956
Other Liabilities					
Deferred revenue	$ 1,562,899	$ 1,507,030	$ 1,175,191	$ 600,000	$500,000
Accrued vacation and sick leave	-	-	-	548,722	-
Advanced from other funds	-	-	-	-	-
Total Other Liabilities	$ 1,562,899	$ 1,507,030	$ 1,175,191	$ 1,148,722	$500,000
Total Liabilities	$334,126,673	$336,457,565	$314,901,724	$287,886,583	$377,310,859
Fund Equity					
Contributed capital	$466,535,321	$409,080,380	$446,162,225	$517,181,729	$594,301,043
Retained earnings					
Reserved for revenue bonds retirement	284,235	5,730,725	6,441,513	-	-

Reserved for construction	-	-	-	17,576,362	31,974,859
Reserved for revenue bonds debt service	3,779,766	11,416,968	15,742,696	10,393,256	11,258,168
Unreserved	(27,727,615)	48,086,893	51,314,298	54,948,525	43,370,222
Total Fund Equity	$442,871,707	$474,314,966	$519,660,732	$600,099,872	$680,904,292
Total Liabilities and Fund Equity	$776,998,380	$810,772,531	$834,562,456	$887,986,455	$1,058,215,151

Source:
(1) City of Albuquerque Comprehensive Annual Financial Report.
(2) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.
(3) Albuquerque Bernalillo County Water Utility Authority.

Revenues and Expenditures

The following table shows the historical revenues and expenditures for the System as operated by the City, as predecessor to the Authority, and for the Authority:

	FY Ending June 30				
	2001[1]	2002[1]	2003[1]	2004[2]	2005[4]
Operating Revenues					
Charges for services	$107,770,948	$113,780,763	$117,681,329	$132,060,824	$127,019,279
Operating Expenses					
Salaries and fringe benefits	$ 25,061,995	$ 25,432,730	$ 24,760,183	$ 25,478,834	$26,796,490
Professional services	3,675,467	3,950,668	5,553,843	387,754	1,138,803
Utilities	8,244,343	7,581,349	7,923,571	8,306,219	7,935,163
Supplies	1,956,679	1,306,521	1,528,551	2,425,458	2,939,223
Travel	25,338	12,967	5,171	26,257	23,809
Fuels, repairs and maintenance	7,875,171	7,168,651	7,523,882	7,386,781	7,252,222
Contractual services	4,307,682	3,144,879	2,949,505	3,884,875	4,422,260
Other operating expenses	5,841,669	5,780,796	5,687,026	12,498,494	12,908,751
Payment in lieu of taxes	4,310,237	-	-	-	-
Depreciation	37,069,949	39,355,206	40,843,474	42,877,076	46,409,458
Amortization	332,293	348,400	457,590	369,939	374,323
Bad debt expense	109,882	597,741	34,703	-	-
Total Expenses	$ 98,810,705	$ 94,679,908	$ 97,267,499	$103,641,687	$110,200,502
Operating Income	$ 8,960,243	$ 19,100,855	$ 20,413,830	$ 28,419,137	$16,421,681
Non-operating revenues (expenses)					
Interest on investments	$ 2,502,394	$ 2,031,573	$ 1,073,204	$ 419,021	$1,548,942
Gain on disposition of capital assets	102,301	66,375	18,869	10,001	(356,719)
Interest expense	(14,138,923)	(12,205,596)	(12,278,016)	(10,428,174)	(8,405,571)
Water service expansion charges	10,908,556	11,908,616	14,432,966	15,111,935	12,404,189
Equipment purchased for another fund	-	-	(332,631)	(242,141)	-
Other	3,969,460	148,181	4,451,529	(222,513)	1,086,547
Total non-operating income	$ 3,343,788	$ 1,949,149	$ 7,365,921	$ 4,648,129	$6,277,388
Income before contribution and transfers	12,304,031	21,050,004	27,779,751	33,067,266	22,699,069
Capital contributions	$ 0	$ 14,995,201	$ 22,177,697	$ 28,287,786	$20,848,605
Transfers in	-	360,551	487,245	-	-
Transfers out	(320,000)	(4,962,497)	(5,098,927)	-	-
Change in Net Assets	11,984,031	31,443,259	45,345,766	61,355,052	43,547,674
Decrease in reserve for revenue bonds	4,917,673	-	-	-	-
Net Assets July 1	$425,970,003	$442,871,707	$474,314,966	$538,744,820[3]	$598,458,853
Net Assets June 30	$442,871,707	$474,314,966	$519,660,732	$600,099,872	$642,006,527

Source:
(1) City of Albuquerque Comprehensive Annual Financial Reports.
(2) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.
(3) Includes prior period adjustment related to Utility Expansion Charges.
(4) Albuquerque Bernalillo County Water Utility Authority.

Operating Revenue

The following table outlines the revenue from water and sewer charges and other operating revenue received over the past five Fiscal Years.

Revenue from Water and Sewer Charges and Other Operating Revenue

Fiscal Year	Revenue from Water Charges: For General Operations	Revenue from Water Charges: For WRMS[1]	Revenue From Sewer Charges	Other Operating Revenue[2]	Total Operating Revenue
2001[3]	$46,504,223	$9,954,245	$44,898,231	$7,003,689	$108,360,388
2002[3]	48,115,849	13,276,044	46,691,595	7,188,885	115,272,373
2003[3]	48,027,213	16,410,278	45,893,219	9,185,099	119,515,809
2004[4]	51,968,803	21,950,195	50,012,413	9,437,552	133,368,963
2005[5]	49,163,041	23,904,227	47,310,366	6,244,549	126,622,183

(1) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the Water Resource Management Strategy.
(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.
(3) City of Albuquerque Comprehensive Annual Financial Reports.
(4) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.
(5) Albuquerque Bernalillo County Water Utility Authority.

Utility Expansion Charges

In order to fund expanded capacity of the System, all new customers of the System are currently charged one-time utility expansion charges ("UECs") for water and sewer services. The charges are calculated by analyzing the average forecast of new customers to the System over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, Sections 5-8-1 through 5-8-41, NMSA 1978, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by the Authority and the City. Under the Development Fees Act, the Authority is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed methodologies of the Development Fees Act, applicable to any impact fee imposed on or after July 1, 1995.

The Authority's current UECs have been reviewed and have been updated based upon the review contemplated under the Development Fees Act. The determination of water and sewer UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan, to provide water and sewer services. When UECs are charged to new customers, the charge is proportioned to reflect the capacity that user is requesting, depending on the size of service. Larger sized service installations have greater use capacity, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The following table sets forth the current water and sewer utility expansion charges, as well as those approved in the future.

Current Utility Expansion Charges

Meter Size	Water Charge	Sewer Charge
¾"	$ 1,419	$ 1,200
1"	2,526	2,134
1 ¼"	N/A	N/A
1 ½"	5,677	4,800
2"	10,090	8,533
3"	22,707	19,200
4"	40,361	34,133
6"	90,829	76,800
8" & over	161,477	136,534

Utility Expansion Charges effective July 1, 2006

Meter Size	Water Charge	Sewer Charge
¾"	$ 1,920	$ 1,508
1"	3,281	2,581
1 ½"	6,874	5,427
2"	11,502	9,109
3"	24,267	19,285
4"	40,358	32,199
6"	85,770	68,665
8" & over	145,307	116,691

Utility Expansion Charges effective July 1, 2007

Meter Size	Water Charge	Sewer Charge
¾"	$ 2,421	$ 1,816
1"	4,036	3,027
1 ½"	8,071	6,053
2"	12,914	9,685
3"	25,827	19,370
4"	40,355	30,265
6"	80,710	60,530
8" & over	129,137	96,848

During Fiscal Years 2001 through 2005, the following revenue from the collection of UECs was received.

Revenue from Utility Expansion Charges

Fiscal Year	Total UEC Revenues
2001[1]	$10,908,556
2002[1]	11,908,616
2003[1]	14,432,966
2004[2]	15,321,455
2005[3]	12,404,189

(1) City of Albuquerque Comprehensive Annual Financial Reports.
(2) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.
(3) Albuquerque Bernalillo County Water Utility Authority.

Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the Authority. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and the Authority in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Additional Charges In Effect

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply:

Water Commodity Charge: Water usage metered or estimated is at a rate of $1.2294 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Commodity Charge (effective 1/1/06): Water usage metered or estimated is at a rate of $1.381 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. In May 2002, a two-tiered surcharge was implemented. Beginning May 2003, the surcharge amount added for each unit exceeding 300% of the winter mean water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. Beginning May 2003, a second tier surcharge for each unit exceeding 400% of the winter mean water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the state and the sustainable water supply charge per unit.

Sewer Commodity Charge: All wastewater discharged is charged at a rate of $0.815 per unit for residential, commercial, industrial and institutional customers and $0.513 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Sewer Commodity Charge (effective 1/1/06): All wastewater discharged is charged at a rate of $0.822 per unit for residential, commercial, industrial and institutional customers and $0.579 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The Authority continues to keep water and sewer rates at a competitive level. Based on results for the 50 largest cities in the United States extracted from a water/wastewater survey by Black & Veatch Enterprise Consulting Division, the Authority was ranked (from lowest to highest) at or below average for water and sewer rates, 23rd for water and 16th for sewer, of the 50 communities surveyed on typical monthly combined residential water and sewer bills, based upon a usage of 15,000 gallons.

Also, the Authority has worked with Integrated Utilities Group, Inc., and has developed new water and wastewater rate structures based on a cost-of-service model. The wastewater portion was completed and new wastewater cost-of-service rates were implemented on July 1, 2004. The water study has been completed in Fiscal Year 2005 and a new cost-of-service water rate structure will be implemented effective January 1, 2006. The rates have increased over the past six years to provide for the financing of the development of a new surface water supply system for drinking water.

Water/Sewer Billing and Collections

The Authority imposes all rates and charges through a water and sewer rate ordinance. Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which the Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The Authority performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. The Authority may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer's utility statement. A penalty of 1.5% per month may be imposed on any delinquent account.

The Authority has made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has typically been less than 1.2% but currently is approximately 2.3% of annual revenues. The increase is due to one large

customer which is disputing certain charges and has made no payment of the disputed charges. The delinquent charges from this customer are 1% of annual revenues. The Authority is currently trying to obtain payment from this customer through the judicial process. See "JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY – Water Supply – New Mexico Utilities Litigation."

Rates and Charges of the System

The Authority has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and sewer services. Bond ordinances authorizing issuance of System bonds prohibit net revenues of the System from being transferred to other funds of the City or the County.

The capital and operating budgets for the System are submitted by the Executive Director of the Authority to the Authority Board by April of each year for the fiscal year which begins July 1. The Authority considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than May of each year. Biennially, 10-year capital plans are also prepared and adopted. These plans are modified by the annual budget review process as immediate needs become clear.

The Authority has taken strides in its efforts to contain costs. For fiscal year 2005 the Authority reduced overhead expenditures by $1 million in its operating budget. The Authority conducts monthly meetings with the general manager and operation managers to review operating budgets. Monthly capital improvement plan meetings are conducted as well to ensure capital dollars are spent efficiently and appropriately.

The Federal Water Pollution Control Act Amendments of 1974 have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation's waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the Authority receives federal grant funds through the United States Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, the Authority has incorporated the following items into the sewer rate structure:

(i) Costs benefiting both water and sewer operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and sewer service.

(ii) Budgeted sewer categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for sewer rate-making purposes.

(iii) A "high-strength sewage treatment surcharge" is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges

Customers pay fixed rates for water and sewer services as well as additional charges which vary depending on the volume of water used or discharged. Since July 1, 2004, residential customers paid fixed water rates (depending on service size) between $9.62 and $977.19 per month, while commercial customers paid between $14.54 and $1,534.98 per month. Effective January 1, 2006 residential customers pay fixed water rates (depending on service size) between $11.41 and $2,168.77, while commercial customers pay between $11.93 and $2,249.77. For sewer service as of July 1, 2004, residential customers paid a fixed rate (depending on service size) between $8.00 and $899.02, while commercial customers paid between $12.35 and $1,453.51. Effective January 1, 2006 residential customers pay a fixed sewer rate (depending on service size) between $7.49 and $834.31, while commercial customers pay between $9.26 and $1,059.87.

Increases to Rates and Charges

The Authority has increased System rates and charges to meet the following percentage increases in operating revenues during the past five Fiscal Years as described below:

Approved Increases in Rates and Charges

	% Increase	
Fiscal Year	**General Operations**	**WRMS[1]**
2001	2.5	4.5
2002	2.5	4.5
2003	4.4	4.5
2004	4.5	4.5
2005	0	0

(1) Each effective May 1 of the respective years. These rates were approved to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy and affect water charges only.

Source: City of Albuquerque; Albuquerque Bernalillo County Water Utility Authority.

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2001 through 2005. The majority of the customers of the Water System during Fiscal Year 2005 were residential and used a 3/4" meter size.

History of Water Users by Meter Sizes

Meter Size	Average Number of Customers by Fiscal Year 2001	2002	2003	2004	2005
¾"	124,523	128,192	132,387	139,351	142,018
1" and 1 ¼"	19,692	19,153	18,321	17,863	17,588
1 ½"	1,846	1,854	1,847	1,854	1,879
2"	1,868	1,892	1,905	1,958	1,997
3"	406	410	412	524	419
4"	242	246	247	311	251
6"	55	55	55	73	52
8" and over	38	38	39	68	41
Total	148,670	151,840	155,213	162,002	164,245

Source: City of Albuquerque; Albuquerque Bernalillo County Water Utility Authority.

History of Water Users by Class

Class	Average Number of Customers by Fiscal Year 2001	2002	2003	2004	2005
Residential	134,014	137,081	140,347	146,656	148,974
Commercial	12,871	12,952	13,033	13,388	13,304
Institutional	1,660	1,683	1,712	1,836	1,853
Industrial	125	124	121	122	114
Total	148,670	151,840	155,213	162,002	164,245

Source: City of Albuquerque; Albuquerque Bernalillo County Water Utility Authority.

According to the Authority's records for Fiscal Year 2005, the top ten retail customers of the System in the aggregate accounted for no more than 4.9% of the total billed consumption for the Water System, 9.3% of the total revenue of the Water System, 8.3% of the total billed consumption for the Sewer System and 8.7% of the total revenue of the Sewer System.

During Fiscal Year 2005, 56% of billed water consumption was residential, while 28% was classified as commercial. The balance consisted of institutional users consuming 15% and industrial users at 1%.

Selected Water/Sewer System Statistics
(Calendar Year)

	2000	2001	2002	2003	2004
Estimated Population (Service Area)	497,916	503,371	508,855	513,488	518,623
Number of Meters Billed	149,883	153,245	156,502	160,135	162,536
Estimated Persons Per Meter	3.32	3.28	3.25	3.21	3.19
Annual Pumpage (1,000 Gallons)	37,101,000	35,750,000	34,760,000	34,734,000	32,600,000
Annual Water Billed (1,000 Gallons)	33,074,427	31,670,527	30,836,908	30,886,343	29,235,684
Average Daily Pumpage (Gallons)	101,646,575	97,945,205	95,232,877	95,161,644	89,315,068
Peak Day Pumpage (Gallons)	169,500,000	163,600,000	160,140,000	163,500,000	151,000,000
Average Daily Production Per Meter (Gallons)	678	639	609	594	549
Well Pumping Capacity (per 24 Hour Period)	294,000,000	294,000,000	294,000,000	294,000,000	294,000,000
Storage Capacity (Gallons)	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000
Number of Miles of Lines[(1)]					
-Water	2,420	2,450	2,520	2,520	2,520
-Sewer	1,730	1,780	1,820	1,820	1,820

(1) Estimated.

Source: City of Albuquerque; Albuquerque Bernalillo County Water Utility Authority.

Budget

Budget Process

The Authority operates on a fiscal year basis, from July 1 through June 30. The Authority Board has adopted a Budget Ordinance that provides for the formulation and approval of the Authority's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services and implementation of planned capital improvements and to measure performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director submits operating and capital budgets to the Board at the April meeting each year. The Board holds two public hearings with adoption of the budgets at the May meeting. The annual operating and capital budgets determine the Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The Authority's

financial manager and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the fiscal year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or $100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the Authority's budget.

The Executive Director develops the capital implementation program ("CIP") which consists of a ten-year plan of capital expenditures, including a detailed yearly CIP budget which is submitted to the Board in accordance with the Budget Ordinance. Development of the CIP plan is based on information collected and analyzed on the Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the Authority's short- and long-term financial needs and reflected in the CIP plan and operating budget. The budget amounts of the capital project funds are individual project budgets authorized by the Board for the entire length of the project which are not necessarily the same as the Authority's fiscal year. The Executive Director may transfer funding up to 10% of an existing capital project as approved by the Board, provided the change does not significantly alter the project's scope. The Budget Ordinance also sets forth requirements for Board review and approval of applications or proposals for state and federal grants.

Actual Fiscal Year 2005 Preliminary Year-End Revenue

Preliminary year-end revenues for the Joint Water and Sewer Operating Fund are approximately $8.6 million less than the approved Fiscal Year 2005 budget, which would be approximately $6.0 million less than such revenue for Fiscal Year 2004. There was an increase in the June 2005 revenues over June 2004 but it did not significantly impact the revenue shortfall experienced for the entire Fiscal Year. The Authority believes the shortfall is due to decreased water usage due to increased precipitation in the service area and ongoing water conservation efforts. Preliminary year-end revenues for the Sustainable Water Fund are about $4.7 million less than the approved Fiscal Year 2005 budget. The revenues for Fiscal Year 2005 for UECs are preliminarily at $12.4 million; which is $0.6 million below the approved 2005 budget.

The balance for working capital, total revenues minus total expenses, for Fiscal Year 2005 is projected to be $7.2 million. This is a $5.2 million decrease from the Fiscal Year 2004 actual amount of $12.4 million. This decrease is a result of increased precipitation in Fiscal Year 2005 and increased conservation efforts.

Approved Fiscal Year 2006 Budget

The Fiscal Year 2006 operating budget is a maintenance of effort budget and includes expenditure increases due to contracts and transfers. The Authority in conjunction with the City's Utility Department developed the budget by determining only those costs necessary to run the utility operation. There is a net decrease in the operating expenses for the operating fund of about $1 million or 1%.

Construction of the San Juan-Chama drinking water project is underway. Activities under construction include the diversion facility, water treatment plant and numerous portions of the transmission pipeline network. Construction projects that will be initiated in

Fiscal Year 2006 include the pump station and raw water conveyance pipelines to take water from the diversion to the water treatment plant and several new segments of the transmission pipelines. Facilities scheduled for completion in Fiscal Year 2006 include sections of the transmission pipeline network, diversion dam/intake structure and raw water ponds, administration building and supervisory control and data acquisition at the water treatment plant. The Authority will require additional funding in Fiscal Year 2006 for this project.

A study for Phase II of the expanded odor control program for the wastewater treatment plant is scheduled to be completed in Fiscal Year 2006. This study will identify the remaining odor control processes needed at the treatment plant and provide cost estimates and priorities for Phase II.

Funding of $1 million is included for the purchase of replacement vehicles and equipment. Half of the equipment will be purchased directly out of the operating fund and the other half out of capital via a transfer from the operating fund.

Debt service payments will increase $4.9 million over Fiscal Year 2005. This increase is due to the debt service for the San Juan-Chama drinking water project financing. The basic system Capital Improvement Program (CIP) is maintained at $36 million for Fiscal Year 2006 with 50% of the costs paid from cash transfers with the other 50% funded from debt financing. Approximately $7 million of the CIP will be used to support the valley utilities projects. The South Valley Water System Expansion Project will provide water service to approximately 3,200 developed parcels in the southwest valley of the City.

The Fiscal Year 2006 budget does not propose a rate increase for Fiscal Year 2006. The growth in labor costs for Fiscal Year 2006 is due primarily to an employee cost of living adjustment.

General operating fund revenue for Fiscal Year 2006 is projected to be $1.85 million less than the Fiscal Year 2005 approved budget amount. This estimate is based on a projected decrease in water usage due to the above average moisture that the service area has received since the beginning of calendar year 2005 and continued water conservation. Sustainable water supply program revenue is also projected to be less than the Fiscal Year 2005 approved budget by $3 million. Revenues generated in this program are also impacted by decreased water usage.

The net difference from the Fiscal Year 2005 approved budget and the Fiscal Year 2006 proposed budget is a decrease of $1.003 million. Major changes in Fiscal Year 2006 include 1) cost of living adjustment and the associated increase in fringe benefits, 2) decrease in operating expenditures in the areas of repairs and maintenance, contractual services and cogeneration maintenance, and 3) total internal services and transfers were reduced by $2 million.

Capital Implementation Program for the System

The City's Water Utility Department prepared a Water and Wastewater Decade Plan for Fiscal Years 2006 through 2015, which the Authority adopted on August 17, 2005. The Decade Plan reflects increased spending for both new development and basic infrastructure requirements. The approved program contemplates planned expenditure amounts averaging an

estimated $44 million per year through 2015 for various water and sewer system improvements including approximately $30 million per year for infrastructure rehabilitation, along with future expansion of the Southside Wastewater Treatment Plant. Additional funding is also being provided for North and South Valley grant projects in the unincorporated areas of the County, and for the San Juan-Chama drinking water project. The following table reflects updated costs for Fiscal Years 2006 through 2015 for basic water and wastewater system capital improvements.

Estimated Program Expenditures

Fiscal Year	Proposed Program Expenditures
2006	$45.1 million
2007	40.1 million
2008	44.0 million
2009	43.9 million
2010	44.0 million
2011	44.5 million
2012	44.4 million
2013	47.2 million
2014	57.6 million
2015	57.8 million

Source: Albuquerque Bernalillo County Water Utility Authority.

The proposed program is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and water system reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at a targeted $30 million per year level of investment.

Based on the adopted Decade Plan, approximately 1% of the total program is related to federal, state and local regulation and policies. Approximately 65% of the program is allocated towards infrastructure replacement, rehabilitation and renovation of deteriorated facilities. Ten percent of the program is allocated to systems improvements for reliability and performance, special projects and for various long-range facility planning studies. Growth related projects account for 24% of the program and occur largely in the latter years of the program based on projected sustained growth for services requiring water and wastewater facilities and master planned lines expansion.

Overall, the program proposes expenditures of $468 million over the next ten years for water/wastewater capital improvements beyond the basic program. An additional $21 million has been committed in conjunction with other anticipated federal/state grant funding for the extension of water/sewer utilities in the unserved areas of the County. Also, under a separate funding program, approximately $350 million is being committed for construction of a new drinking water supply and treatment plant, including large diameter water transmission lines to

distribute this treated surface water throughout the water service area. Major financing for the San Juan-Chama drinking water project is being spread over a three year construction period, including contributions from operating revenues, reclamation grants, loans and revenue bonds, including a proposed revenue bond issue in 2006.

FORWARD-LOOKING STATEMENTS

This Annual Information Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words "estimate," "forecast," "intend," "expect," "project," "intend," "budget," "plan" and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

Except as stated in this Annual Information Statement, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the Authority's knowledge threatened, involving the Authority which may result, either individually or in the aggregate, in final judgments against the Authority which would have a material adverse affect on the Authority's existence or its financial condition.

APPROVAL OF ANNUAL STATEMENT

This Annual Statement and its distribution and use for the purposes herein have been authorized and approved by the Authority.

Approved by:

/s/ Mark Sanchez
Executive Director

Appendix A

Albuquerque Bernalillo County Water Utility Authority
A Component Unit of the City of Albuquerque
Annual Financial Report
Year ended June 30, 2005

APPENDIX B

CUSIP Numbers

Bond Issue name	D/S Month & Year	Cusip	Principal
Joint Water and Sewer 1990 A	July 2006	013554KM1	$1,937,253.05
	July 2007	013554KP4	3,412,568.55
	July 2008	013554KQ2	3,179,472.40
Joint Water and Sewer 1995	July 2006	013554MV9	4,695,000.00
	July 2007	013554MW7	4,975,000.00
Joint Water and Sewer 1997	July 2006	013554NF3	4,925,000.00
	July 2007	013554NG1	5,170,000.00
	July 2008	013554NH9	5,435,000.00
	July 2009	013554NJ5	5,720,000.00
Joint Water and Sewer Refunding Series 1999A	July 2006	013554NS5	8,230,000.00
	July 2007	013554NT3	8,690,000.00
	July 2008	013554NU0	10,215,000.00
	July 2009	013554NV8	10,750,000.00
	July 2010	013554NW6	11,320,000.00
	July 2011	013554NX4	11,910,000.00
Joint Water and Sewer Refunding 2000A	July 2006	013554PD6	4,960,000.00
Joint Water and Sewer 2001	July 2006	013554PJ3	2,830,000.00
	July 2007	013554PK0	2,970,000.00
	July 2008	013554PL8	3,115,000.00
	July 2009	013554PM6	3,275,000.00
	July 2010	013554PN4	3,435,000.00
	July 2011	013554PP9	3,610,000.00
	July 2012	013554PQ7	3,790,000.00
	July 2013	013554PR5	3,980,000.00
Joint Water and Sewer 2005	July 2009	013493AD3	2,000,000.00
	July 2009	013493AA9	3,145,000.00
	July 2010	013493AE1	2,015,000.00
	July 2011	013493AF8	1,780,000.00
	July 2012	013493AG6	1,655,000.00
	July 2012	013493AB7	5,000,000.00
	July 2013	013493AH4	840,000.00
	July 2013	013493AC5	6,350,000.00
	July 2014	013493AJ0	665,000.00
	July 2014	013493AW1	9,000,000.00
	July 2015	013493AK7	10,355,000.00
	July 2016	013493AL5	9,115,000.00
	July 2017	013493AM3	11,080,000.00
	July 2018	013493AN1	8,410,000.00
	July 2019	013493AP6	4,230,000.00
	July 2019	013493AX9	4,300,000.00

	July 2020	013493AQ4	8,680,000.00
	July 2021	013493AR2	8,655,000.00
	July 2022	013493AS0	8,875,000.00
	July 2023	013493AT8	8,915,000.00
	July 2024	013493AU5	8,945,000.00
	July 2025	013493AV3	8,975,000.00